



Stanford eCorner

The Collapsing Cost of Product Building

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Video URL: <http://ecorner.stanford.edu/videos/2547/The-Collapsing-Cost-of-Product-Building>

Price drops in mass market technology, open-source software, crowd-sourcing, and cloud computing have vastly reduced the costs necessary to build new products in the Internet age. In this clip, FLOODGATE Fund co-founding partner Ann Miura-Ko points out how these elements have converged to create rapid prototyping flexibility, and a never-before-seen ease and ability to tailor new products to market.



Transcript

This democratization of innovation though has really few components to it. The first component is what I call "The Collapsing Cost of Product Building". Now it's important to note that it's about the collapsing cost of product building and not company building. What are the components of a collapsing cost for product building? Well for one thing its open source software. I remember back in college some of my friends were talking about starting up a company, they were talking about a SQL server license for \$10,000. You don't need to do that anymore. Another really interesting trend is "Commoditized Technology". I know people who are in the film industry who've been making films now on really cheap cameras and they get 10 ADP. It's really incredible to see that. Third is "Crowdsourced Infrastructure". Now a lot of you may have heard of Mechanical Turk but were able to actually do things with crowdsourced infrastructure that you couldn't even do with a really complex algorithms.

An example is if you want to analyze a piece of video, it's much cheaper to just get a person to take a look at it then to have computers actually analyze it. And that ability to get crowds to actually analyze instead of using computer algorithms is also extraordinarily powerful. The last is "Cloud Computing". Our ability to have elastic computing power as well as the ability to scale rapidly if something hits is huge. You don't need to buy server infrastructure to be able to last your largest inputs. As a result of that, we see a collapsing cost in our ability to build products. You could do it really quickly with very few dollars. And in fact I see my students all the time just taking out their credit card and building a product rapidly prototyping something and seeing if it works. And this is applicable again not only to startups but even with in large companies and its having a profound impact on the way new products are built.